UNITED NATIONS

# ECONOMIC AND SOCIAL COUNCIL

E

Distr.
LIMITED

E/ECA/PSD.6/2
12 January 1990

Original: ENGLISH

ECONOMIC COMMISSION FOR AFRICA

Sixth session of the Joint Conference
of African Planners, Statisticians
and Demographers

Addis Ababa, Ethiopia, 15-20 January 1990

REVIEW OF ECONOMIC AND SOCIAL
CONDITIONS IN AFRICA,
1988 - 1989

E/ECA/PSD.1/2

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# The Economic and Social Conditions in Africa in 1988 - 1989

## 1. Overall Performance

In addition to agriculture, areas of the greatest potential for growth in 1988 and 1989 were also in the mining and manufacturing sectors. Largely on the strength of its production output of mining sector rose by 7.4 per cent and 6.4 per cent, while manufacturing value added increased by 5 per cent and 4.4 per cent in 1988 and 1989 respectively. Higher oil and metal prices helped to alleviate acute foreign exchange shortages and revitalize the import of essential inputs and necessary consumer goods in primary-exporting countries, although only a few countries were able to take full advantage of the improved prices in view of the structural rigidities in the mining sector. The [illegible] in the crises of debt and debt servicing afflicted the economies of African region and other developing countries, which continue to adversely affect resumed growth, including among others, disincentive to production investments and deterioration in basic infrastructure, worsening debt situation, deteriorating terms of trade, capital flight and the consequent erosion of the stock of fixed capital. The sensitivity of resumed growth to weather conditions and the instability of international trade underscores the fragility and continued vulnerability of African economies to exogenous forces and, hence, the need for broad-based transformation and structural change in Africa.

Table 1

GDP growth in sub-regions and economic groupings, 1987-1989
(In annual percentage)

| | 1987 | 1988 | 1989 |
|---|---|---|---|
| Central Africa | [illegible] | 3.4 | [illegible] |
| East Africa | [illegible] | [illegible] | [illegible] |
| North Africa | [illegible] | [illegible] | [illegible] |
| West Africa | [illegible] | [illegible] | [illegible] |
| | | | |
| OPEC members | [illegible] | [illegible] | [illegible] |
| Non-OPEC | [illegible] | [illegible] | [illegible] |
| LDCs | [illegible] | [illegible] | [illegible] |
| Oil-exporting | [illegible] | [illegible] | [illegible] |
| Non-oil-exporting | [illegible] | [illegible] | [illegible] |
| | | | |
| Developing Africa | [illegible] | [illegible] | [illegible] |

Source: ECA secretariat.

## 2. The Sub-regional Picture and Economic Groupings

There were substantial differences in performance among sub-regions, groupings and countries (see Tables 2 and 3). At the sub-regional level, East and West African sub-regions continued to show rates of growth exceeding the regional average, with the 1989 outcome better than in 1988. In contrast, GDP performance in the Central and North African sub-regions continued to be weak, with the rate of growth of GDP well below that of population.

Growth in the least developed countries, after falling to 2.5 per cent in 1988, picked up in 1989 to reach the growth rate of over 3 per cent that obtained in the preceding two years. The oil-exporting countries also improved on their performance, registering a growth rate of 3.1 per cent in 1989, following a growth rate of only 1.0 per cent in 1988. The African UMEC members in particular registered remarkable recovery, from -1.1 per cent in 1987 to 1.2 per cent and 3.6 per cent in 1988 and 1989 respectively. The performance of the non-oil exporting countries, on the other hand, remained erratic, ranging from 0.2 in 1987 to 4.6 in 1988. Similar variations arise when the situation is compared on the basis of magnitudes of growth rates over the years. As table 3 shows, the number of countries showing negative growth has continuously fallen while those registering rates of growth of 3-4 per cent have progressively increased. However, about one-third of the countries continued to show rates of growth of between zero and 3 per cent. On a country-by-country basis, only few countries were able to sustain remarkable levels of growth.

Table 1.

Frequency Distribution of African Countries according to Growth Rate of GDP, 1987-1989

| Growth | 1987 | 1988 | 1989 |
|---|---|---|---|
| Negative | 15 | 8 | 6 |
| 0 - 2 | 13 | 15 | 15 |
| 3 - 4 | 8 | 4 | 12 |
| 4 and above | 14 | 20 | 13 |

Source : ECA Secretariat.

## 3. Main Domestic Sectors

### 3.1 Agriculture

As noted earlier, favourable weather conditions during the last two years were instrumental in lifting the rate of growth of agricultural value-added from 1.5 per cent in 1987 to 2.5 per cent and 3.1 per cent in 1988 and 1989 respectively. The major beneficiary was food production. Cereals output is estimated at about 90.3 million tons in 1989 which, although slightly lower than the bumper 1988 crop, is about 15.1 percent higher than in 1987. Cassava production is also estimated to have increased by 5 per cent. Notwithstanding the improved food supply situation, significant quantities of food aid will still be required, particularly in some Sahelian countries, Sudan, Ethiopia, Mozambique and Angola either on account of drought and/or the disruption of production facilities by civil strife and the incidence of refugees and displaced persons.

Regarding commercial crops, the substantial fall in cocoa prices to a 14-year low and coffee prices to a 17-year low had a significantly adverse impact on the development momentum of cocoa and coffee exporting African countries, with severe losses in foreign exchange earnings, government revenues and producer incomes.

Table 4

Growth in Agricultural Value-added by sub-region and Economic Grouping
1987-1989
(in percentages)

| | 1987 | 1988 | 1989 |
|---|---|---|---|
| Central Africa | 0.6 | 3.3 | 1.6 |
| East Africa | 2.6 | 2.5 | 4.1 |
| North Africa | 1.7 | 0.8 | 3.6 |
| West Africa | 1.2 | 3.7 | 2.3 |
| OPEC Members | 2.7 | 3.0 | 2.6 |
| Non-OPEC | 0.7 | 3.3 | 3.3 |
| LDCs | 2.8 | 2.7 | 3.0 |
| Oil-exporting | 2.9 | 1.2 | 2.8 |
| Non-oil-exporting | 1.5 | 3.6 | 4.3 |
| Developing Africa | 1.5 | 2.2 | 3.1 |

Source: ECA secretariat

3.2 Manufacturing

Improved agricultural input supply and higher export earnings have facilitated further growth in manufacturing value-added, although the growth rates of only 2.- per cent, 4.3 per cent and 4.- per cent achieved in 1987, 1988 and 1989 respectively, hardly indicate a real recovery in Africa's nascent and relatively small manufacturing sector. Significant capacity remained underutilized and the structure of industry stagnant and unbalanced.

Table 3.

Growth in the Value-added of the Manufacturing Sector by Sub-region and Economic Grouping, 1987-1989
(In percentages)

| | 1987 | 1988 | 1989 |
|---|---|---|---|
| Central Africa | | | |
| East Africa | | | |
| North Africa | | | |
| West Africa | | | |
| OPEC Members | | | |
| Non-OPEC | 3.6 | .9 | .0 |
| LDCs | 5.3 | 4.9 | 3.8 |
| Oil-exporting | 1.9 | 3.9 | 5.6 |
| Non-oil-exporting | 3.2 | 5.1 | 3.8 |
| Developing Africa | | | |

Source: ECA Secretariat

3.3 Mining

The situation in the mining sector has been mixed. In terms of output, growth has slowed down from 2.2 per cent in 1988 to 2.4 per cent in 1989. There was a modest rise in oil production, all of which has been accounted for by the OPEC members. But the production of non-fuels hardly increased during 1989. However, both fuel and non-fuel minerals have posted significant increases in prices: oil prices increased from an average of $14.9 a barrel in 1988 to $18.0 a barrel in 1989, while the prices of almost all major non-fuel mineral products registered noticeable increases as well. The major difficulty with the mining sector is its traditional structural limitations and the shortage of foreign

exchange for imported inputs all of which have continued to constrain output.

## 4. The External Sector

There was some improvement in the overall trade balance, from a deficit of $11.3 billion in 1988 to a deficit of $9.2 billion in 1989, which, in terms of exports, represents a fall in the deficit/export ratio from 19.6 per cent to 13.7 per cent but is still higher than the ratio of 11.4 per cent registered in 1987. It is to be emphasised however that this deficit was incurred at higher levels of exports and imports in 1989. Export earnings in 1989 were estimated at $67 billion, an increase of 16.1 per cent over the $57.7 billion recorded in 1988. Similarly, the value of imports increased by about 10.1 per cent to about $76 billion.

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Table 4

The External Sector: Summary Indicators

| | 1987 | 1988 | 1989 |
|---|---|---|---|
| Trade Flows | | | |
| Exports ($ billions) | 56.1 | 57.7 | 67.0 |
| Imports ($ billions) | 50.5 | 69.0 | 76.0 |
| Trade balance | -6.2 | -11.3 | -9.2 |
| Commodity Prices1/(percentages) | | | |
| All Commodities | 20.8 | -13.7 | 19.7 |
| Non-oil Commodities | -0.5 | 2.3 | 1.8 |
| Beverages | -21.7 | -11.6 | -13.0 |
| Minerals and Metals | 1.3 | 21.5 | 10.6 |

Source: IMF, International Financial Statistics (various issues) IMF, Primary Commodities: Market Development and Outlook, July 1989 and ECA estimates.

1/ Base: 1980=100

The rise in exports and imports in 1989 reflects largely rises in unit values of 19.4 per cent and 12.4 per cent respectively, as export and import volumes have both fallen, by 3.1 per cent and 2.4 per cent respectively. The increase in export earnings arose from higher oil prices and the sustained recovery of minerals and metal prices, notably those of copper, phosphates, bauxite and iron ore. The rise in export earnings might have been much higher but for

the catastrophic falls in beverages prices by a further 13 per cent following falls of 21.7 per cent and 11.6 per cent in 1987 and 1988, respectively.

Africa's external debt and debt-servicing position grew worse in 1989. The total stock of debt increased from $230 billion in 1988 to $250 billion in 1989, an increase of about 8.7 per cent. Debt-service obligations are currently estimated at about 40 per cent of export earnings. Africa's deep economic problems have been compounded by the region's rising debt burden which is now becoming the major contributing cause of curtailed economic growth.

## 4. Outlook for 1990

Economic prospects for 1990 will critically depend, as was in the past, on both internal as well as external factors. Of particular significance during 1990 are the weather situation, the progress in the implementation and sustainance of effective policy reforms and the developments in the international economic environment.

Should the weather continue to be favourable in 1990, and there are indications to this effect, and provided African governments continue to pursue reform policies along the lines advocated by AAF-SAP, agriculture growth would most probably pick up from the present 3.1 per cent to about 4 per cent.

Although 1989 saw an improvement in Africa's trade sector, the forecast of decline in the GDP growth rate in the OECD countries, Africa's major trading partners, from 3.4 per cent to 2.7 per cent in 1990 leaves very little scope for optimism regarding the immediate-term prospects for Africa's external trade and an early solution to its external resource problem. Under the circumstances, most of the impetus for growth would have to emanate from internal sources, notably from the agricultural sector and from higher utilization of existing capacities, especially in the manufacturing and services sectors. Given the above hypotheses, the agricultural sector, as noted earlier, will grow by about 4 per cent, while manufacturing and the services sectors will grow by about 5 per cent and 3 per cent respectively. As a result, the overall growth of the African region would be about 3 per cent. This rate could however rise to about 4.5 per cent provided there are significant improvements in the world economic environment and the easing of the external resource constraints which will facilitate improved capacity utilization and the intensification and sustainance of the policy reforms envisaged in AAF-SAP.